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August 30, 1996

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RQ-918

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FILE #

Dan Morales
Attorney General
Opinion Committee Division
P.O. Box 12548
Austin, TX 78711

Re: Request for Attorney General's Opinion

Dear Mr. Morales:

Please consider this letter my formal request for an Attorney General's Opinion on the questions posed herein. This letter is written on behalf of Kathy Sayles, Howard County Tax Assessor/Collector and Drew Mouton, Attorney at Law, Bancroft, Mouton & Wolf, P.O. Box 1030, Big Spring, TX 79720, contract attorneys for the collection of delinquent taxes for Howard County, Texas.

The Howard County Tax Appraisal District, and evidently most, if not all, tax appraisal districts around the state, include in their appraisal of oil and gas mineral leasehold interests the production equipment necessary to produce the oil and gas. In other words, there are not two appraisal accounts, one for the leasehold interest and another one for the production equipment utilized in connection with that lease. As a result, the Howard County Tax Assessor/Collector's rolls reflect only a leasehold mineral interest which is treated as a realty account. However, the Howard County Tax Appraisal records reflect that the basis for that valuation includes not only the value of the leasehold mineral interest, but also a value for the production equipment located thereon and utilized in connection therewith.

A delinquent taxpayer has attempted to break out the portion of the account attributable to the production equipment and claim the four year statute of limitation applies to that portion of the account. The Howard County Tax Appraisal District has taken the position that the production equipment is indispensable to the production of oil and gas on the

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leasehold estate, and is therefore taxable as an improvement, fixture or appurtenance to the realty and may be included in the value of the leasehold interest.

That leads to the following questions:

1. May the Howard County Tax Appraisal District include in their appraisal of a producing mineral (oil and gas) leasehold interest, the value of the production equipment (casing, tubing, pump jacks, tanks, surface pipe, etc.) located thereon and necessary to produce the oil and gas?
2. If the appraisal includes the value of both the mineral leasehold and the production equipment, does the four year or 20 year statute of limitations apply to the account?

If you need any further information, please call.

Very truly yours,



Hardy Wilkerson